

1 **DIRECT TESTIMONY OF**

2 **KENNETH R. JACKSON**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC AND GAS COMPANY**

5 **DOCKET NO. 2008-196-E**

6  
7 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

8 A. My name is Kenneth R. Jackson and my address is 1426 Main Street,  
9 Columbia, South Carolina.  
10

11 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A. I am Vice President, Regulatory Matters at SCANA Services, Inc., which  
13 provides administrative, management and other services to the subsidiaries and  
14 business units within SCANA Corporation, including South Carolina Electric &  
15 Gas Company (“Company” or “SCE&G”).  
16

17 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**  
18 **EXPERIENCE.**

19 A. I am a graduate of the University of South Carolina (“USC”) where I  
20 received a Bachelor of Science Degree in Business Administration, majoring in  
21 Finance. Since graduating from USC, I have completed numerous graduate level

1 courses in Business and Economics. I joined SCE&G in September 1978, where I  
2 held various positions within the Rate Department over the next eighteen years. In  
3 May 1997, I became Team Leader for Industrial Marketing. In October 1997, I  
4 was promoted to Manager of Marketing Research and Sales for the Large  
5 Customer Group. In July 1999, I was promoted to Assistant Controller for the  
6 Fossil and Hydro Strategic Business Unit. In May 2005, I became Director of  
7 Rates and Regulatory Affairs. In October, 2007, I became Vice President,  
8 Regulatory Matters. I have also recently served as the Chairman of the  
9 Accounting and Finance section of the Southeastern Electric Exchange.

10  
11 **Q. PLEASE SUMMARIZE YOUR DUTIES WITH SCANA SERVICES, INC.**

12 A. I am responsible for the design and administration of SCE&G's electric and  
13 gas rates and tariffs, including the electric fuel adjustment and gas cost adjustment.  
14 In addition, I am responsible for the Company's electric and gas allocation studies  
15 and regulatory accounting function.

16  
17 **Q. HAVE YOU PRESENTED TESTIMONY TO THE PUBLIC SERVICE**  
18 **COMMISSION OF SOUTH CAROLINA ("COMMISSION") BEFORE?**

19 A. I have testified before this Commission in previous proceedings.

20  
21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to support the Company's Combined  
2 Application for Certificate of Environmental Compatibility and Public  
3 Convenience and Necessity and for a Base Load Review Order ("Combined  
4 Application") and to present the rates that the Company is proposing that the  
5 Commission adopt, pursuant to the provisions of the Base Load Review Act  
6 ("BLRA"), to allow the Company to earn its approved cost of capital associated  
7 with its investment in new nuclear generating units. I will explain the allocations  
8 the Company is using for the different classes of customers and the projected  
9 revenue associated with each class. In addition, I will testify regarding the rates  
10 we propose to offer within each rate class and will sponsor the following exhibits:

11 **Exhibit K (Exhibit No. \_\_\_\_ (KRJ-1))** - Proposed Rate Design and  
12 Class Allocation Factors for Revised Rates (This exhibit is identical  
13 to Exhibit K of the Combined Application);

14 **Exhibit N (Exhibit No. \_\_\_\_ (KRJ-2))** - Revised Rates (This exhibit  
15 is identical to Exhibit N of the Combined Application).

16  
17 **Q. PLEASE EXPLAIN HOW FACTORS, ALLOCATIONS, AND RATE**  
18 **DESIGN ARE USED TO ESTABLISH REVISED RATES UNDER THE**  
19 **BLRA.**

20 A. The BLRA in section 58-33-270 (C) and (D) states that in setting revised  
21 rates, "all factors, allocations, and rate designs should be as determined in the

1 utility's last rate order." Thus, for SCE&G the factors, allocations, and rate design  
2 used to establish revised rates are the ones approved by the Commission in the  
3 prior rate order, Order No. 2007-855. The BLRA also states in section 58-33-270  
4 (D) that any additional revenue requirement to be collected through revised rates  
5 should be allocated among customer classes based on the Company's South  
6 Carolina firm peak demand data from the prior year, or in this case for SCE&G's  
7 summer peak for 2007. In conjunction with SCE&G's most recent electric rate  
8 increase, SCE&G performed a cost of service study to determine the cost of  
9 serving each customer class. The allocation of cost among the various classes  
10 demonstrated by the cost of service study was approved by the Commission in  
11 Order No. 2007-855. Therefore, under the BLRA, allocations of cost are not at  
12 issue in this proceeding and a cost of service study is not required.

13  
14 **Q. WHAT WAS SCE&G'S SUMMER 2007 RETAIL PEAK DEMAND**  
15 **ALLOCATION?**

16 A. The Summer 2007 peak demand occurred on August 10, 2007. Using this  
17 peak demand data, the relative percentages of retail demand allocation for the  
18 various classes, as reflected in **Exhibit K**, are as follows: residential service is  
19 48.10%; Small General Service is 17.98%; Medium General Service is 11.27%,  
20 and; Large General Service is 22.65%. The summer peak demand allocation  
21 methodology used to determine these percentages is the peak demand

1 methodology historically used by the Commission in setting SCE&G's rates.  
2 These percentages of retail demand allocation were also determined in the same  
3 way as the peak demand allocators approved in Order No. 2007-855.  
4

5 **Q. WILL THIS DEMAND ALLOCATION STAY THE SAME**  
6 **THROUGHOUT THE CONSTRUCTION AND RATE-SETTING**  
7 **PROCESS?**

8 A. Section 58-33-270 (D) of the BLRA mandates that the additional revenue  
9 requirement to be collected through revised rates shall be allocated among  
10 customer classes based on the utility's South Carolina firm peak demand data from  
11 the prior year. As the class peak retail demand changes from one year to the next,  
12 SCE&G's firm peak demand data will change and the additional revenue  
13 requirement to be collected through revised rates based on the new firm peak  
14 demand data will be allocated among customer classes in the following year.  
15

16 **Q. FROM WHAT SOURCE DID YOU OBTAIN THE REVENUE**  
17 **REQUIREMENT ASSOCIATED WITH THE CONSTRUCTION?**

18 A. E. Elizabeth Best, Director of Financial Planning and Investor Relations for  
19 SCANA Services, Inc., has testified to the revenue requirements associated with  
20 the construction. Her testimony illustrates the projected year by year revenue  
21 requirements upon which the Company's proposed initial revised rates are based

1 in the Combined Application and in my testimony. As construction progresses,  
2 the revenue requirements may be adjusted annually, as permitted by the BLRA,  
3 based on actual Construction Work in Progress (“CWIP”) as of June 30 each year.  
4

5 **Q. HAS SCE&G REVISED THE RATES FOR THE VARIOUS CLASSES TO**  
6 **RECOVER THE ADDITIONAL REVENUE REQUIRED FOR**  
7 **CONSTRUCTION?**

8 A. Yes. The revised rates for each customer class are attached to this  
9 testimony as **Exhibit N**. Under the proposed revised rates, the Residential class  
10 will have an average increase in rates of 0.52%, the Small General Service class  
11 will have an average increase in rates of 0.48%, the Medium General Service class  
12 will have an average increase in rates of 0.51%, and the Large General Service  
13 class will have an average increase in rates of 0.44%.  
14

15 **Q. DO THESE REVISED RATES RELATE TO ANYTHING OTHER THAN**  
16 **THE CONSTRUCTION OF UNITS 2 AND 3?**

17 A. No. These initial rate increases relate only to the construction project.  
18 Under the BLRA, as the project progresses and additional capital is expended, the  
19 cost of that capital may be included in rates through annual filings of revised rates.  
20

21 **Q. ARE YOU PROPOSING TO INCREASE THE BASIC FACILITIES AND**

1           **DEMAND CHARGES IN CONNECTION WITH THESE RATES?**

2    A.           No. As reflected in the Combined Application, it has been the Company's  
3           practice in rate proceedings over the last twenty years to adjust the basic facilities  
4           charges for retail electric service in even increments, typically of \$0.50 or more.  
5           For demand charges the Company is not requesting any adjustment at this time,  
6           but reserves the right to adjust demand charges in future proceedings.  
7           Accordingly, the Company is not requesting to make any adjustment to the basic  
8           facilities or demand charges in the revised rates associated with this proceeding.

9  
10 **Q.    WHAT REQUESTS DO YOU MAKE OF THE COMMISSION AT THIS**  
11 **TIME?**

12 A.           On behalf of the Company, I respectfully request that the Commission  
13           approve the revised rates attached to my testimony as **Exhibit N** and authorize  
14           use of these revised rates for bills rendered for retail electric service thirty (30)  
15           days following issuance of the Commission's order.

16  
17 **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A.           Yes.